



LAKE COUNTY
FLORIDA

Budget Work Session

Employee Self-Funded Medical Plan

Human Resources

May 5, 2015

Purpose



- To provide the BCC with an overview of the Employee Self-Funded Medical Plan and proposed FY 2016 Budget.

Presentation Outline



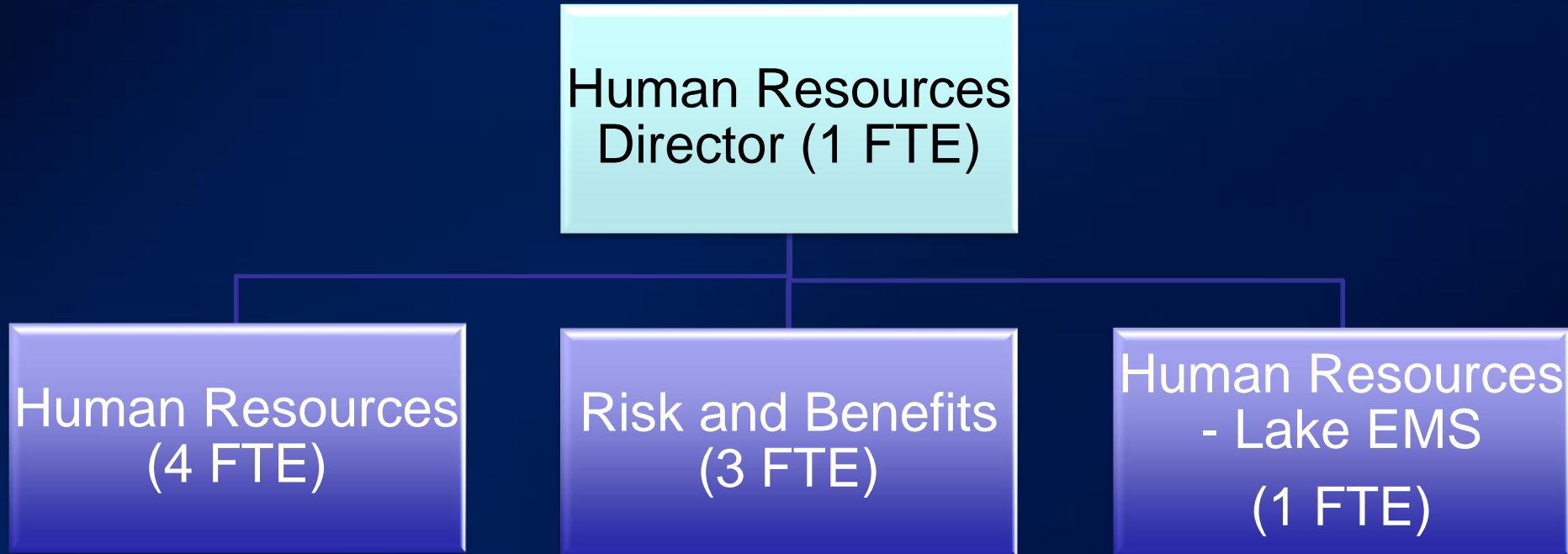
- **Overview**
 - Organizational Chart
 - Mission
 - Levels of Service
 - Accomplishments
 - Efficiencies
- **Benchmarks**
 - Marion, Orange, Osceola, Polk, Seminole, Sumter, and Volusia
- **Proposed Budget**
- **Self-Funded Medical Plan Updates and Proposed Changes**

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Organizational Chart



Organizational Chart



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Mission



- To develop, implement and support programs and processes that add value to the County and its employees, leading to improved employee wellbeing, growth and retention, while committed to the County's goals and its management and prosperity for its employees, citizens, and customers/businesses. This is accomplished through compliance with applicable employment law, current employment policies and procedures, thorough guidance to departments and employees, equal opportunity recruitment, and employee development/training opportunities, as well as **pro-actively administering the risk and benefits programs for the County and other participating entities.**

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Levels of Service



- Lake County manages a self-funded medical plan for its employees and their dependents.
- The Plan covers the following organizations in Lake County:
 - Board of County Commissioners, Metropolitan Planning Organization, Supervisor of Elections, Property Appraiser, Water Authority, Tax Collector, Lake Emergency Medical Services, Clerk of Courts
- Plan Membership
 - Average of 1158 EE participants (all entities), including approximately 595 Lake County BCC employees.
 - Average of 2746 total plan members

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Accomplishments



- In July 2014, provided benefits services and enrollments to approximately 1,154 employees.
- Employee Health screenings were held during July 2014.
- Flu shot clinics were held in October 2014.
- 37 benefits-related information sessions provided.
- Conducted an ongoing Diabetes Self-Management Program.

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Efficiencies



- Self-funded plan – If claims are lower than anticipated, the County can invest any savings and earn interest. In the event that claims are higher than usual, stop-loss insurance coverage can pay for excess costs.
- Use of the Florida Blue network provides discounts, medical services, and pharmacy, and resulted in annual savings of:
 - \$15,573,927 savings on billed medical charges
 - \$2,450,498 as a result of pharmacy discounts

Efficiencies



- Reduction in ASO fees from \$47.25 to \$41.99 per employee per month, with estimated reductions of \$497,964 over the 3-year contract (including wellness contributions).
- Lower Administrative Cost for Flexible Spending Program from \$4.50 to \$3.50 per participant per month.
- Employee Assistance Program RFP lowered fees from \$1.30 to \$1.22 per employee per month.
- Vision RFP reduced aggregate employee cost by \$4,800 per year.

Efficiencies



- Purchased excess loss insurance to protect Lake County from large claims.
- Lake County has been reimbursed from excess loss insurance, pharmacy rebates, and wellness contributions from Florida Blue:
 - \$1,024,456.65 in FY 2013
 - \$1,284,658.55 in FY 2014

Presentation Outline

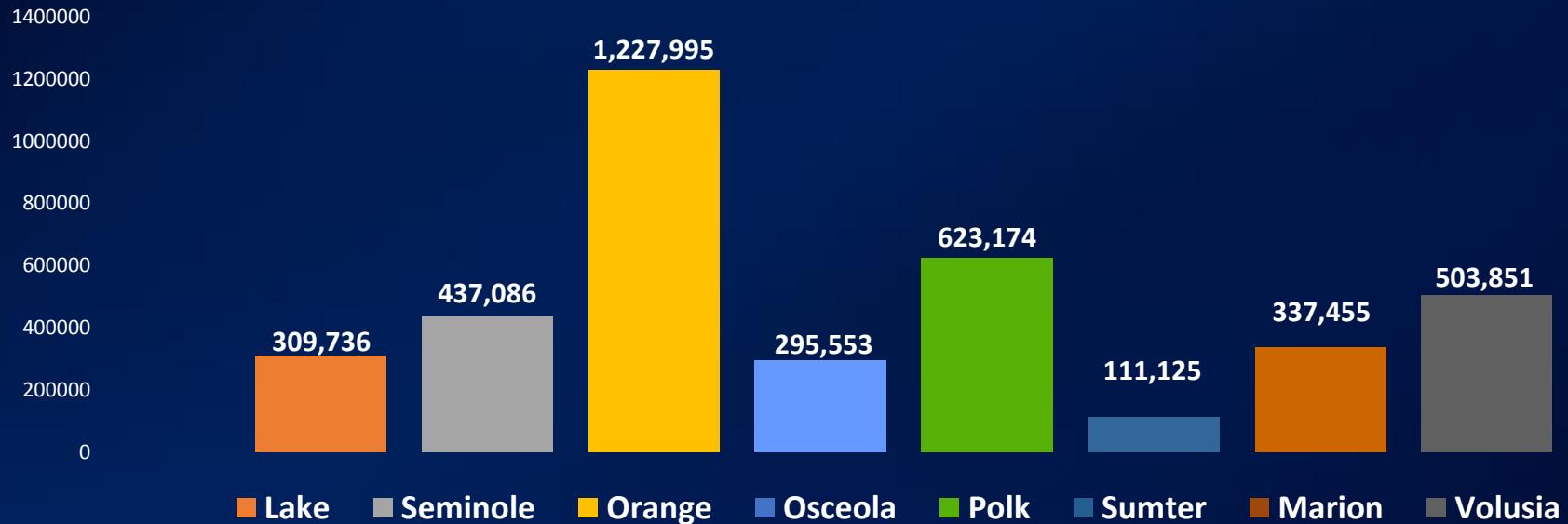


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Benchmarks



2014 Estimates of Population, Lake and Surrounding Counties



Florida Estimates of Population 2014
Bureau of Economic and Business Research, University of Florida

Benchmarks

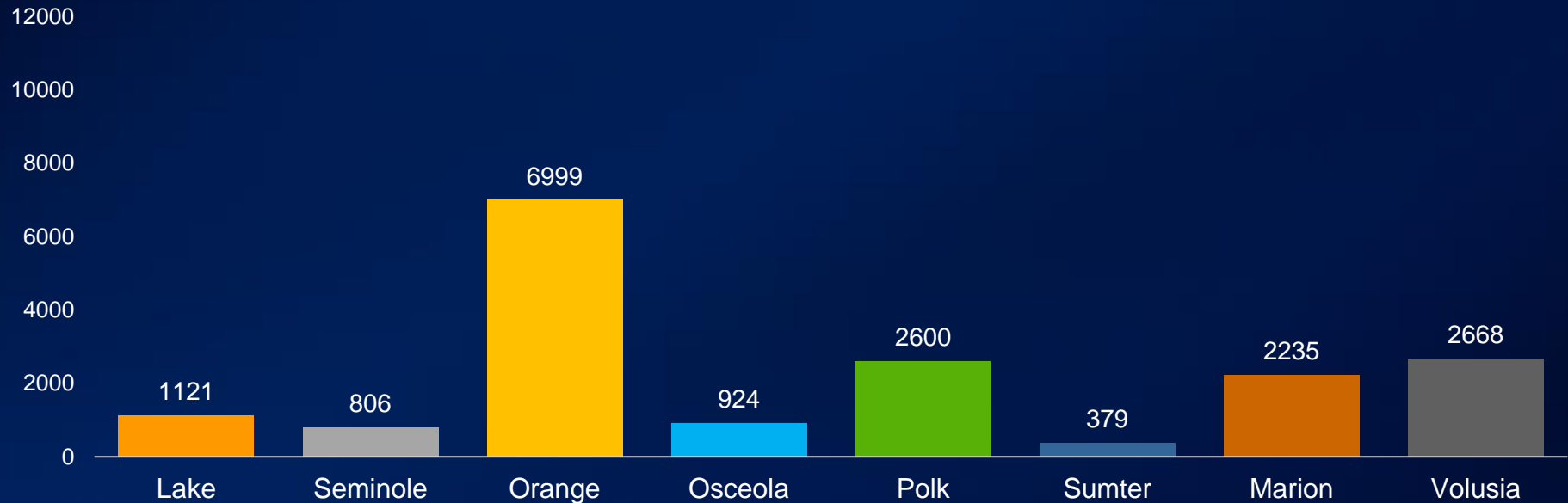


County	Self-Funded or Fully Insured
Lake	Self-Funded
Orange	Self-Funded
Osceola	Self-Funded
Polk	Self-Funded
Seminole	Self-Funded
Sumter	Self-Funded
Volusia	Self-Funded
Marion	Fully Insured

Benchmarks



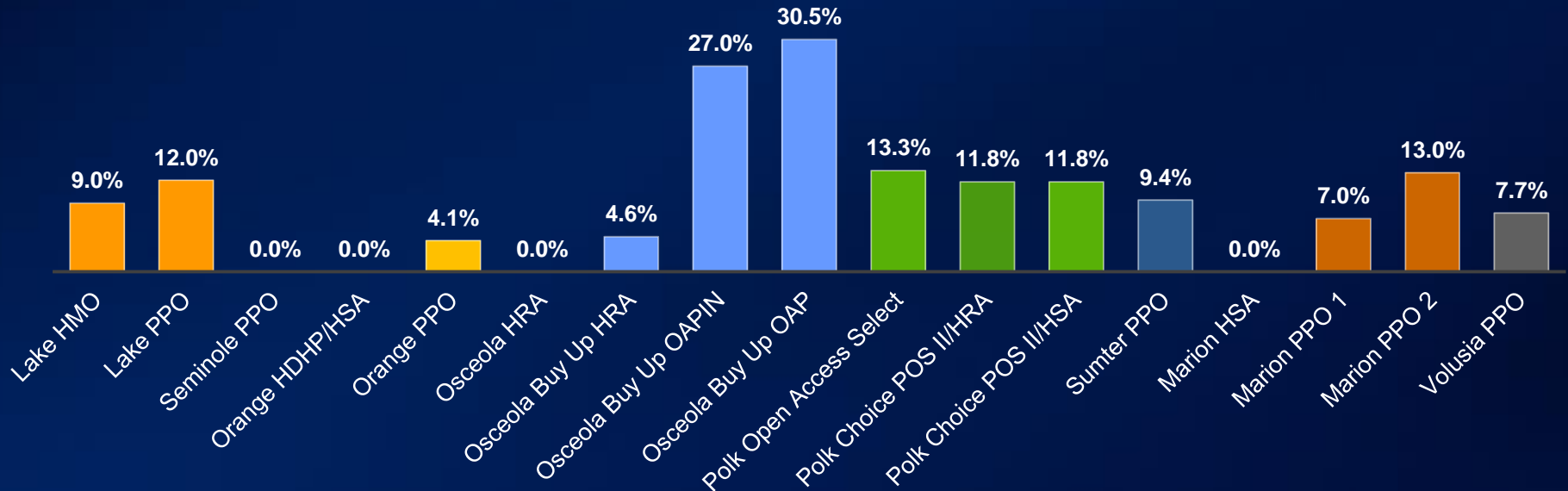
Number of Active Employees Participating in the County Medical Plan



Benchmarks



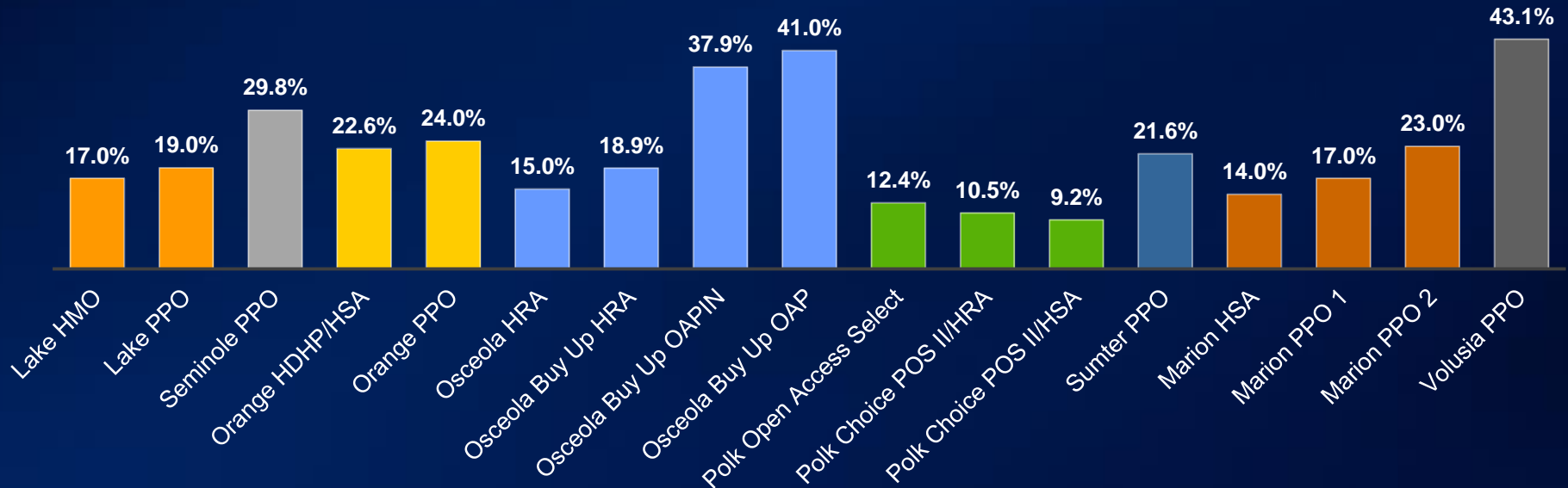
**Percent of Employee Share of Premium
(Employee only Coverage)**



Benchmarks



**Percent of Employee Share of Premium
(Family Coverage)**



Benchmarks



In-Network Out of Pocket Maximums (Per Person)



Benchmarks



In-Network Out of Pocket Maximums (Family Aggregate)



Presentation Outline



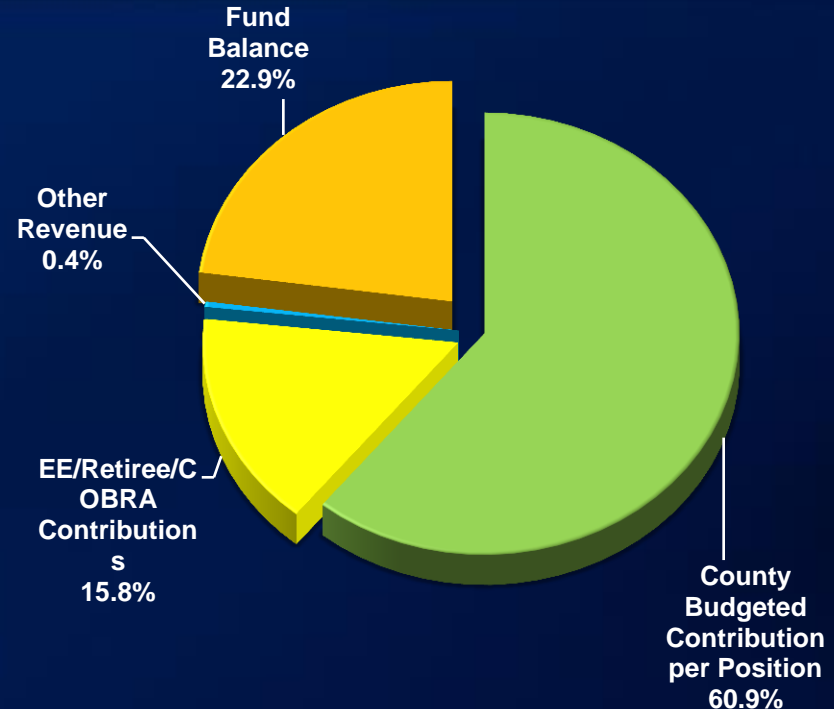
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Proposed Medical Plan Budget



Estimated Revenue FY 2016

County Budgeted Contribution per Position	\$	10,778,000
Employee/Retiree/COBRA Contributions	\$	2,796,785
Other Revenue		70,000
Total Operating Revenues	\$	13,644,785
Estimated Fund Balance	\$	4,051,620
Total Revenues	\$	17,696,405



Proposed Medical Plan Budget



FY 2016 Proposed Budget

Operating Expenses \$ 14,727,446

Reserves \$ 2,968,959

Total Expenditures \$ **17,696,405**

- Includes medical plan design changes
- Increase to employee and employer contributions
- 8% increase in claims
- 20% increase in excess loss insurance premium
- Includes mandated reinsurance fees

Proposed Medical Plan Budget



Estimated Expenditures FY 2016

		<u><i>Budget</i></u>	<u><i>% of Budget</i></u>
Claims Payments	\$	12,547,880	70.9%
Reserves	\$	2,968,959	16.8%
Administrative Fees	\$	1,364,211	7.7%
Insurance Premiums	\$	567,735	3.2%
Transfers (Salaries)	\$	165,432	0.9%
Professional Services	\$	72,188	0.4%
Other Charges	\$	10,000	0.1%
<i>Total Expenditures</i>	\$	17,696,405	100%

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Overview of the Medical Plan



- The biggest portion of the County's Benefits Program is the self-funded medical plan, also known as an Administrative Services Only Plan (ASO).
- ASO is an arrangement where the employer pays a fixed administrative fee and reimburses the carrier for health plan claims from its own funds.
- The arrangement includes paying ASO fees to a health network provider (Florida Blue), as well as purchasing excess loss insurance (Symetra) for large claims.

Overview of the Medical Plan



- Plan Year is from October 1 through September 30 of each year.
- Employees are allowed to make election changes during the year if they have a qualifying event and also during Open Enrollment which takes place each year during the month of July.
- The County has two medical plan options: an HMO and a PPO plan.
- The plans are provided through Florida Blue.
- The HMO and PPO networks include Lake County hospitals and physicians as well as providers state-wide and national.

Overview of the Medical Plan



- Both the HMO plan and the PPO plan currently have two tiers of coverage.
 - Employee and Employee plus Family.
- This allows the employees to choose from one of four options to provide health insurance coverage.
- Each of the four choices have different costs to the employee for premiums, prescription copays, and other employee paid costs.

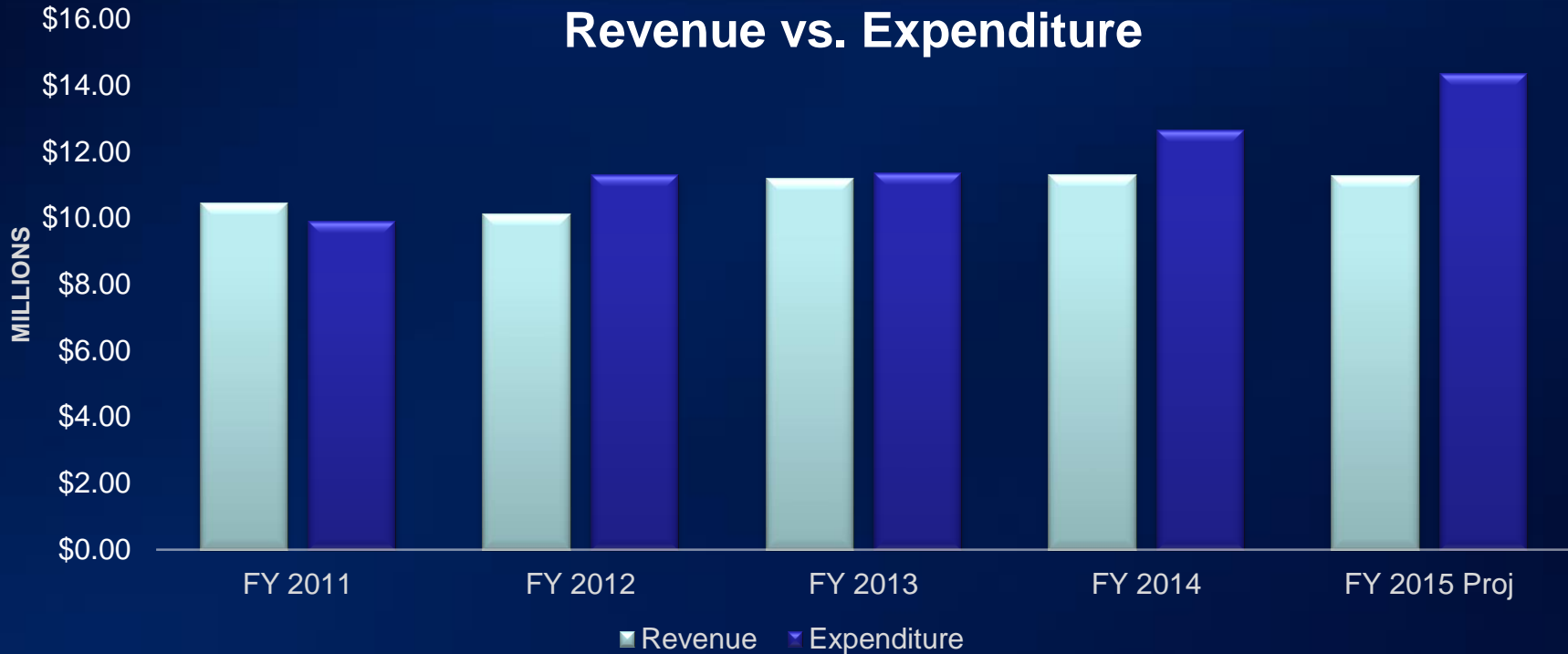
Full Premium Equivalent



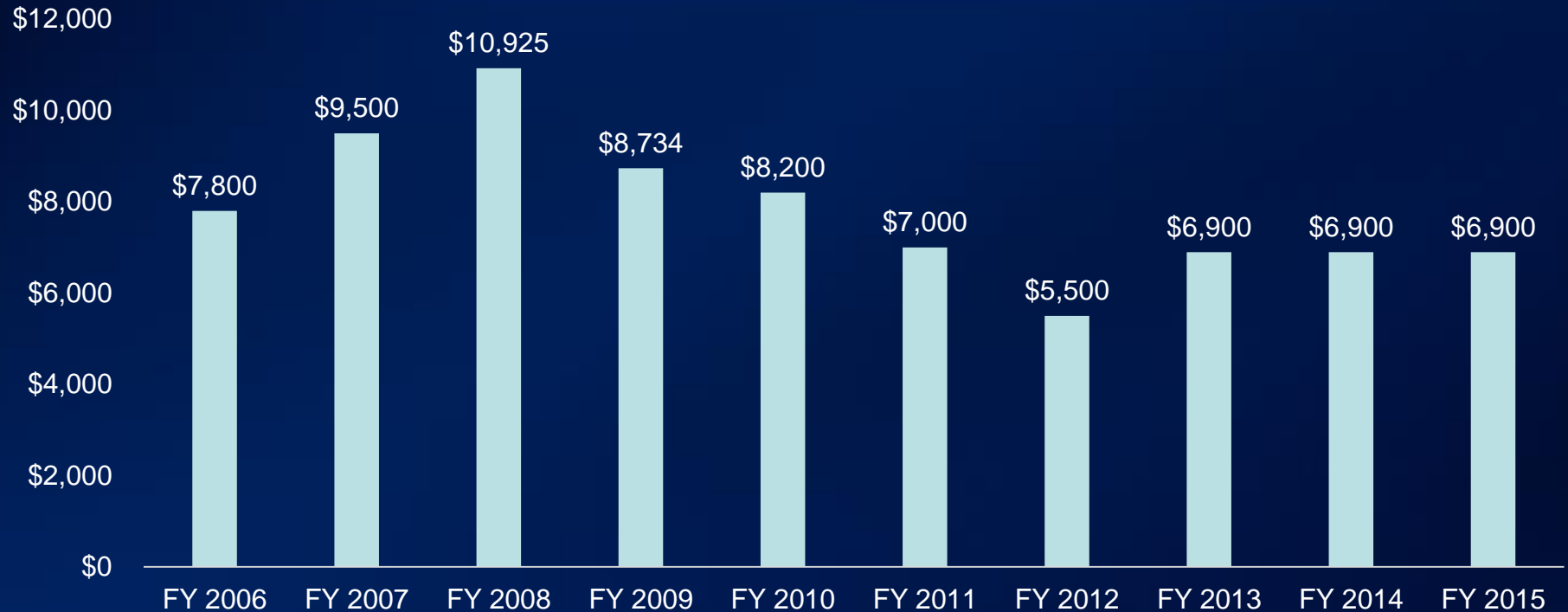
- The County's Actuarial Consultant determined the self-funded medical plan full-premium equivalent to be:

	Per Month	
	HMO	PPO
Single	\$581.98	\$598.44
Family	\$1,367.51	\$1,406.19

Historical Overview



Historical County Budgeted Contributions per Position



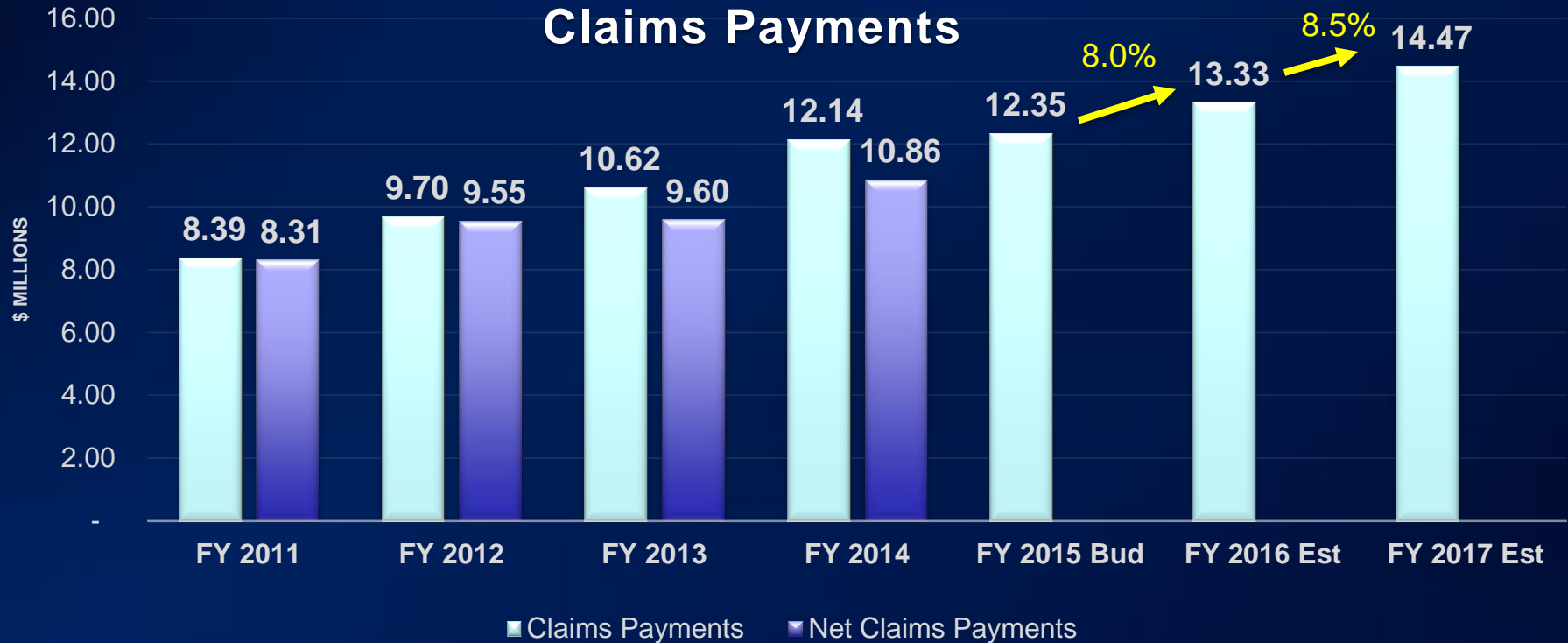
Employee Contributions



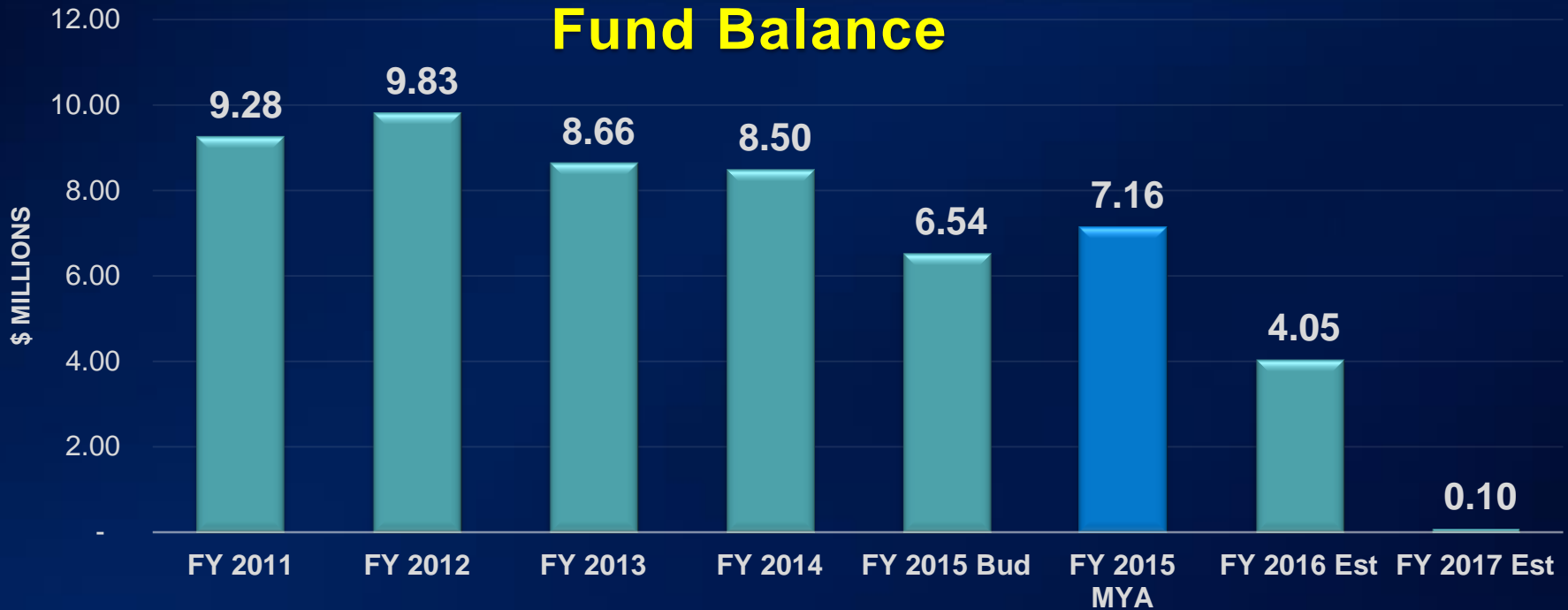
- The current employee contributions are listed below and have not changed since FY 2008:

	Per Pay Period	
	HMO	PPO
Single	\$26.25	\$34.65
Family	\$113.19	\$136.96

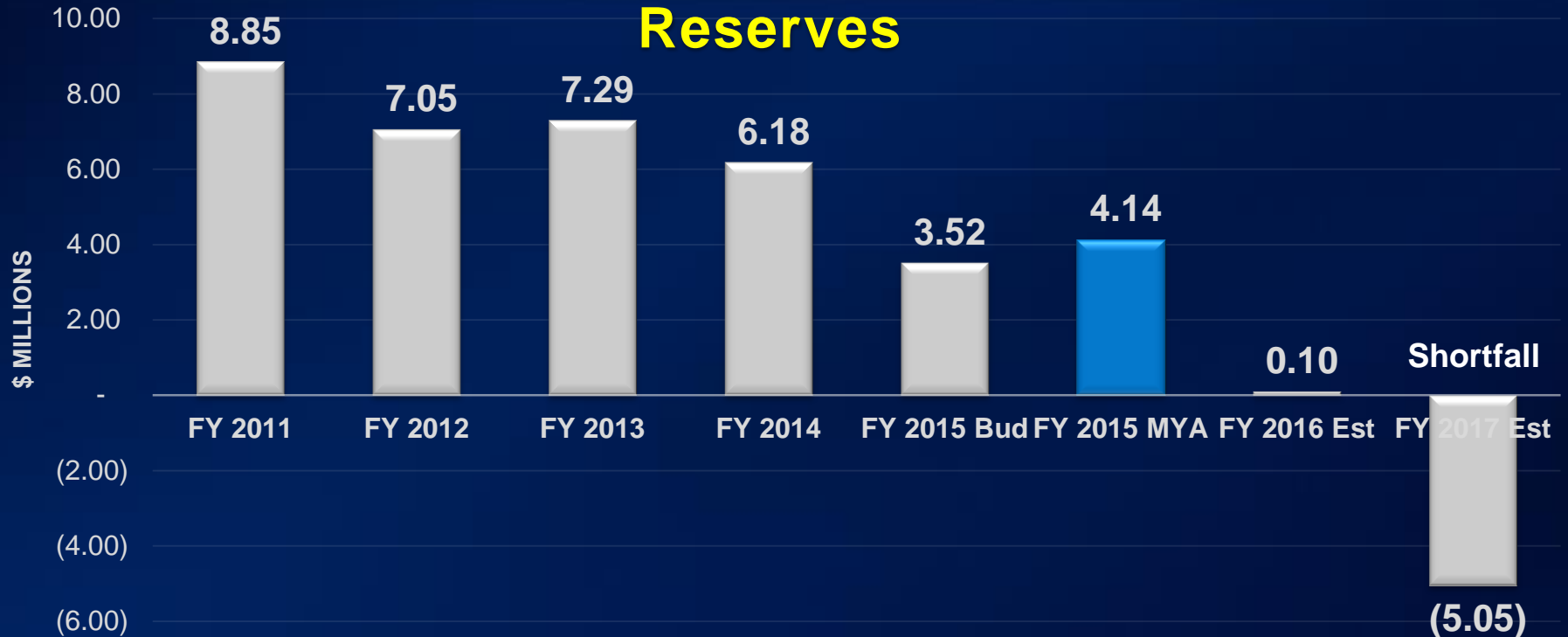
Historical Overview



Historical Overview



Historical Overview



FY 2016 Budget (Proposed)



- For FY 2016 Budget, staff recommends the following:
 1. Change to plan design based on utilization
 2. Increase employee contribution
 3. Increase departmental budget contribution per position per year

FY 2016 Budget (Proposed)



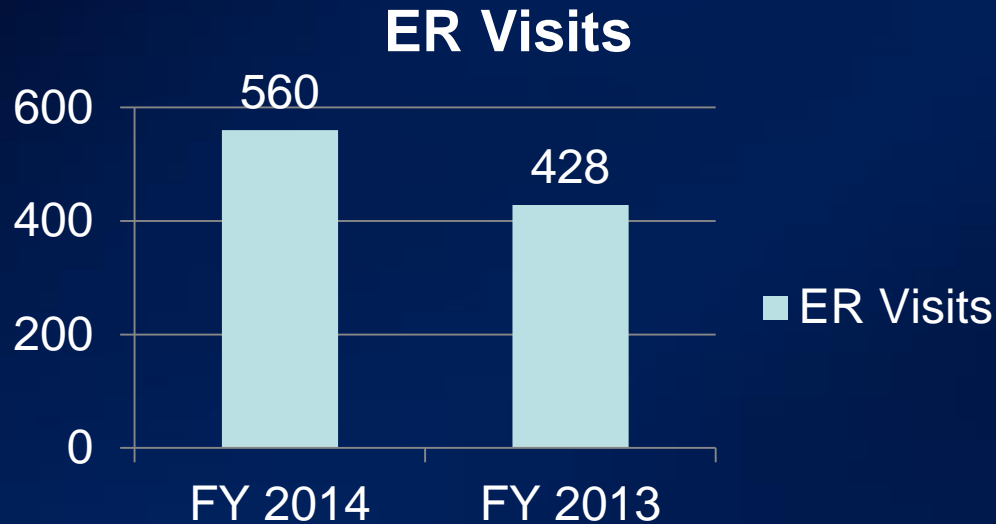
- For FY 2016 Budget, staff recommends the following:
 1. Change to plan design based on utilization
 2. Increase departmental budget contribution per position per year
 3. Increase employee contribution

Claims Utilization Analysis



- County staff identified several areas where the County has experienced high utilization and/or high costs including:
 - Facility Copays (Inpatient, Outpatient, Emergency Room, Urgent Care)
 - Imaging Copays (e.g., MRI, CT Scan, X-Ray)
 - Pharmacy Copays
 - Professional Services
 - Out of Pocket Annual Maximums

Facility: Emergency Room



- 31% visit increase
- 26% increase in cost, for FY 2014 total of \$1,188,331 of claims
- Ill Defined Conditions visits were 149 and cost was \$437,685

Emergency & Urgent Care



Facility FY 2014	Plan Cost	Visits
Emergency Room	\$2,115	560
Urgent Care	\$100	1,017

- 32% of Lake County ER visits occur during the weekend compared to Florida Blue average of 25%
- ER visits increased 31% while Urgent Care visits increased by 9.6%

Outpatient Surgery



Facility FY 2014	Plan Paid	Visits
Outpatient Hospital	\$5,906	116
Ambulatory Surgical Center	\$609	28

- Of the \$702,198 paid claims for outpatient surgeries, \$685,127 was paid to hospitals for the surgeries.

Imaging



Service FY 2014	Outpatient Hospital		Free Standing	
	Plan Cost	Visits	Plan Cost	Visits
CT/MRI	\$1,780	112	\$346	131
Imaging	\$695	477	\$192	604

- Imaging costs for FY 2014 were \$692,159. The Outpatient Hospital cost increased by \$223,546 and the Free Standing decreased by \$3,470 from FY 2013.

Pharmacy



Type	Scripts	%	Total Cost	% Cost	Cost/Rx
Generic	21,532	79.8%	\$583,420	24.4%	\$27.10
Brand	5,372	19.9%	\$1,443,106	60.3%	\$268.63
Specialty	94	0.3%	\$367,783	15.3%	\$3,912.59
Total	26,998	100%	\$2,394,309	100%	\$88.68

- Total Pharmacy cost in FY 2014 was \$2,394,309 and Plan Cost was \$1,987,309, an increase of 17.2%.
- Fastest growing cost is Specialty Pharmacy

Average Costs per Other Services 10/1/13 – 9/30/14



Service	Average Cost	Visits/Services
Hospital Admission	\$16,696	213
DME	\$181	148
Laboratory	\$81	1,096
PCP Visits (Including Physicals)	\$110	4,603
Specialist Visits	\$177	10,448
Ancillary Professionals	\$196	2,381

Proposed Plan Changes



In summary, the proposed plan design changes include the following:

1. Imaging Copays (e.g., MRI, CT Scan, X-Ray)
2. HMO and PPO Emergency Room copay
3. Rx and Durable Medical Equipment/Supplies Copays
4. HMO Inpatient Hospital copay
5. HMO Outpatient Hospital copay
6. Out of Pocket Maximum

Proposed Plan Design Changes



COST SHARING	BlueChoice PPO	PPO Changes	BlueCare HMO	HMO Changes
Out of Pocket Maximum	\$2,000 / \$6,000	\$3,000/\$6,000	\$2,000 / \$4,000	\$3,000/\$6,000
Physician Office PCP/Specialist	\$20/\$35	\$20/\$45	\$20/\$35	\$20/\$45
Wellness Examination	\$20/\$35	\$0/\$0	\$20/\$35	\$0 /\$0
Convenient Care	\$15	\$20	\$20	\$20
Emergency Room	\$50	\$250	\$100	\$250
Urgent Care	\$20	\$50	\$30	\$50
Independent Clinical Lab	20% (No DED)		\$0	\$20
Advanced Imaging/ Other Imaging	20%/\$35 20%/\$35	20%/ \$75 20%/ \$50	\$200/\$0 \$15	\$300/\$75 \$50/\$50
Inpatient Hospital	DED + 20%		\$200 per day up to \$1,000	\$300 per day up to \$1,200
Outpatient Hospital	DED + 20%		\$200	\$300
DME	DED + 20%		\$0	\$50
Pharmacy Generic/Brand 2/Brand 3	\$15/\$25/\$40	\$15/\$40/\$55	\$15/\$25/\$40	\$15/\$40/\$55
Pharmacy Specialty	\$40	\$100	\$40	\$100

Proposed Plan Design Changes



- Assuming utilization would have remained the same, the proposed plan design changes are expected to result in an estimated cost shift of \$589,312 from the health insurance fund to the employees in FY 2016.

FY 2016 Budget (Proposed)



- For FY 2016 Budget, staff recommends the following:
 1. Change to plan design based on utilization
 2. **Increase employee contribution**
 3. Increase County budget contribution per position per year

Employee Contributions



- Staff recommends a 10% increase to employee contributions.

Per Payperiod	Current per Pay Period	Proposed 10% Increase/PP	Dollar Increase/PP
HMO Single	\$26.25	\$28.88	\$2.63
HMO Family	\$113.19	\$124.51	\$11.32
PPO Single	\$34.65	\$38.12	\$3.47
PPO Family	\$136.96	\$150.66	\$13.70

- This change will result in an estimated cost share increase for employees of approximately \$226,880.

FY 2016 Budget (Proposed)



- For FY 2016 Budget, staff recommends the following:
 1. Change to plan design based on utilization
 2. Increase employee contribution
 3. Increase County budget contribution per position per year

County Budget Contribution per Position per Year



- Staff recommends that the County increase the budget contribution for benefits from \$6,900 to \$8,500 per position per year.
- This will be across all County Funds and will also impact Lake EMS and the other participants in the health insurance plan.
- This change will result in an increase of approximately \$2,020,800 to the health insurance fund.

Employer Contribution Impacts



	\$6,900	\$8,500	Difference
General Fund County Depts	\$1,255,109	\$1,554,649	\$299,540
Constitutionals (TC, PA, Clerk, SoE)	\$2,290,800	\$2,822,000	\$531,200
Total GF impact	\$3,545,909	\$4,376,649	\$830,740
Fire Fund	\$1,412,776	\$1,740,376	\$327,600
Lake EMS	\$1,328,250	\$1,636,250	\$308,000
Other Funds and Agencies	\$2,427,765	\$2,982,225	\$554,460
<i>Total Impact All Funds</i>	\$8,714,700	\$10,735,500	\$2,020,800

Summary of Proposed Changes



- FY 2016 Proposed Health Benefit Fund changes are in 3 areas:
 - Plan Design Changes – Estimated cost shift for claims for employees of \$589,312
 - Increase in Employee Contribution – \$226,800
 - Increase in budgeted Employer Contribution – \$2,020,800
 - Total Fiscal Impact - \$2,836,912

Updated Reserves with Proposed Changes



Next Steps



- Ongoing communication with employees on plan design changes and ways to reduce the financial impact of those changes on the employee.
- Implement plan design changes with Florida Blue.
- Conduct open enrollment sessions with information on the new self-funded medical plan design.

Next Steps



- The County will need to continue to explore options in the future to manage the claims experience including:
 - Analyzing the effects of the proposed plan design changes on claims trends
 - Looking at plan changes that could include high deductible plans and HSA's (Health Savings Accounts)
 - Looking at other options including an employee health clinic and increasing wellness programs

Requested Action



- Approve Tab 19, proposed changes to the Lake County Self-funded Employee Medical Plan, for Fiscal Year 2015-2016.



LAKE COUNTY

FLORIDA